

## Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 IO-13 AF-08 ARA-06 EA-07 EUR-12 NEA-10

OIC-02 OES-06 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05

PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01 TRSE-00

USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 /144 W

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R 251255Z MAY 76

FM AMEMBASSY NAIROBI

TO SECSTATE WASHDC 0002

INFO USDEL MTN GENEVA

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UNCTAD 099

E. O. 11652: N/A

TAGS: UNCTAD, ETRD

SUBJ: UNCTAD IV: NEGOTIATING GROUP II - TRADE ISSUES -  
REVIEW OF THIRD WEEK

1. SUMMARY: AFTER TWO WEEKS OF VIRTUALLY STALEMATED DISCUSSIONS, IT IS NOW CLEAR THAT TWO RESOLUTIONS WILL EMERGE: ONE ON MANUFACTURES AND SEMI-MANUFACTURES (WHICH WILL CONSIST OF FOUR SECTIONS: MARKET ACCESS, RESTRICTIVE BUSINESS PRACTICES, TRANSNATIONALS AND INDUSTRIALIZATION); AND ONE ON THE MTN. WITH REGARD TO THE FIRST, CONSIDERABLE PROGRESS HAS OCCURRED ON THE MARKET ACCESS AND RBP'S PORTIONS. (TEXTS OF THESE SECTIONS BEING SENT BY SEPTELS.) WITH REGARD TO MTN RESOLUTION, INITIAL BITTERNESS OF G-77 AT REFUSAL OF GROUP B TO ENTER INTO DETAILED NEGOTIATIONS ON THEIR PROPOSED RESOLUTION WAS DISSIPATED, OCE GROUP B TABLED ITS OWN RESOLUTION. ALTHOUGH THERE REMAINS WIDE DISPARITY OF VIEW BETWEEN

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G-77 AND BROUP B ON LDC AND UNCTAD ROLES IN MTN, THE

STRUCTURE OF THE DRAFT RESOLUTION LENDS ITSELF TO ULTIMATE AGREEMENT (I.E., ONE SECTION CONTAINING AGREED CONCEPTS, ANOTHER SECTION CONTAINING LDC VIEWS AND A FINAL SECTION ON UNCTAD'S ROLE). TEXT OF DRAFT CURRENTLY UNDER NEGOTIATION BEING SENT SEPTEL. NEGOTIATING GROUP IS SCHEDULED TO CONTINUE UNTIL TUESDAY, MAY 25. TEXTS ON WHICH NO AGREEMENTS WILL HAVE BEEN REACHED BY THAT DATE WILL BE REFERRED TO THE GENERAL COMMITTEE FOR HIGHER LEVEL DECISION. END SUMMARY.

2. MTN: NEGOTIATING GROUP MORNING MAY 19 BEGAN DISCUSSION OF AGENDA ITEM 10 (MTN), WITH G-77 FORMALLY TABLING ITS RESOLUTION (CRP NO. 9) AND GROUP B READING ITS DECLARATION (CRP NO. 13). GROUP B SPOKESMAN BRUNGART AND G-77 SPOKESMAN ROUANET THEN ENGAGED IN LONG DEBATE AS TO APPROPRIATENESS OF UNCTAD ENGAGING IN NEGOTIATIONS ON ISSUES ALREADY UNDER DISCUSSION IN MTN. MORNING'S DEBATE CONCLUDED WITH CHAIRMAN NOTING THAT G-77 WERE FLEXIBLE REGARDING WHAT SORT OF DOCUMENT (RESOLUTION OR JOINT DECLARATION) CAME OUT OF UNCTAD IV, AND THAT GROUP B HAD NOT REPEAT NOT REFUSED TO ENGAGE IN GENERAL DISCUSSION MTN ISSUES. HE THEREFORE PROPOSED DISCUSSION CONTINUE IN SMALLER INFORMAL GROUP ON BASIS OF BOTH CRP 9 AND 13 TO TRY TO REACH SOME AREAS OF AGREEMENT, DECIDING LATER WHAT FORM SUCH AN AGREEMENT MIGHT TAKE.

3. IN DRAFTING GROUP DISCUSSION THAT AFTERNOON OF MTN, G-77 PRESSED FOR DETAILED PARAGRAPH-BY-PARAGRAPH CONSIDERATION OF THEIR TEXT. LONG DEBATE WAS RERUN OF MORNING'S DISCUSSIONS ON THIS SUBJECT, THOUGH WITH INCREASING BITTERNESS ON PART OF G-77. ROUANET WAS FORCEFUL AND ELOQUENT SPOKESMAN, INSISTING ON RIGHT OF G-77 TO ENGAGE IN SUBSTANTIVE DISCUSSIONS ON AGENDA ISSUE WHICH HAD BEEN AGREED BY ALL GROUPS. HIS INTERVENTIONS WERE REASONABLE AND CONCILIATORY IN TONE, BUT HIS LAST REMARK WAS THAT GROUP B REFUSAL TO COMMENT AND NEGOTIATE ON G-77 RESOLUTION COULD ONLY BE INTERPRETED AS LACK OF DESIRE FOR COOPERATION WITH G-77, AND THAT THIS WOULD FORCE G-77 TO GIVE UP ON FURTHER NEGOTIATIONS WITH GROUP B, AND LIMITED OFFICIAL USE

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SEEK DECISION BY MAJORITY VOTE. HE EMPHASIZED G-77 DID NOT REPEAT NOT WANT TO ADOPT SUCH COURSE WHICH WOULD LEAD ONLY TO CONFRONTATION AND MEANINGLESS PAPER VICTORIES, BUT HE SAW NO REPEAT NO ALTERNATIVE IN PRESENT SITUATION. GROUP D AND CHINA TOOK VERY LITTLE PART IN DEBATE, BUT DID EXPRESS SUPPORT FOR NEGOTIATING ON BASIS OF G-77 TEXT. MEETING ENDED WITH CALL BY LA SPOKESMAN GARRIDO FOR REGIONAL GROUP MEETINGS TO RECONSIDER WHOLE ISSUE,

INCLUDING POSSIBILITY OF RAISING THIS PROBLEM IMMEDIATELY TO GENERAL COMMITTEE.

4. GROUP B CAUCUS THURSDAY MAY 20 AGREED UNANIMOUSLY THAT DETERIORATING ATMOSPHERE WAS DANGEROUS NOT ONLY FOR TRADE ISSUES BUT OTHER QUESTIONS AS WELL, AND CALLED FOR CHANGE OF STRATEGY. CAUCUS THEN DEVELOPED PROPOSED RESOLUTION ON MTN FROM DRAFTS SUBMITTED BY GROUP B SPOKESMAN AND EUROPEAN COMMUNITY, WITH AGREEMENT THAT SPOKESMAN WOULD DISCUSS WHAT HAD ALREADY BEEN AGREED IN TOKYO DECLARATION OR IN GENEVA, BUT WOULD NOT REPEAT NOT ENTER INTO DETAILED DISCUSSION OF G-77 PAPER. COMMENT: ORIGINAL EC TEXT HAD INCLUDED NUMBER OF POINTS UNACCEPTABLE TO US (E.G., NON-RECIPROCITY IN TROPICAL PRODUCT GROUP AND IMPLEMENTATION OF TROPICAL GROUP OFFERS BY JANUARY 1977) BUT EC DID NOT REPEAT NOT MAKE MAJOR DIFFICULTIES FOR US ON THESE POINTS.

5. DRAFTING GROUP RECONVENED FRIDAY MAY 21 TO DISCUSS THE MTN WITH NOTABLY IMPROVED ATMOSPHERE. ROUANET AGREED TO GENERAL STRUCTURE PROPOSED BY GROUP B DOCUMENT (SECTION A - AGREED POSITIONS, SECTION B - VIEW OF G-77, SECTION C - ROLE OF UNCTAD) BUT SAID GROUP B TEXT IN SECTION A LACKED CERTAIN IMPORTANT ELEMENTS REGARDING DIFFERENTIAL MEASURES AND PROCEDURES, THE MULTILATERAL

CHARACTER OF THE NEGOTIATIONS AND TROPICAL PRODUCTS. IN ADDITION, G-77 WOULD WANT ADDITIONAL PARAGRAPHS IN SECTION A ON NON-RECIPROCITY, STRUCTURAL REFORM, SUBSIDIES, SAFEGUARDS, ADVANCE IMPLEMENTATION, PRODUCT COVERAGE AND COUNTRY COVERAGE IN GSP. G-77 ALSO WANTED SECTION C STRENGTHENED WITH REGARD TO UNCTAD'S PARTICIPATION IN THE MTN. IT WAS AGREED TO LEAVE SECTION B LIMITED OFFICIAL USE

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BLANK UNTIL AFTER NEGOTIATIONS WERE COMPLETED ON OTHER TWO SECTIONS. BRUNGART AGAIN STRESSED THAT GROUP B WOULD AVOID DETAILED DISCUSSIONS WHICH WOULD LEAD TO NEGOTIATIONS IN UNCTAD PARALLEL TO THE MTN OR WHICH COULD RESULT IN UNCTAD GIVING GUIDELINES TO OR INTERFERING WITH MTN. DISCUSSIONS RESULTED IN SINGLE TEXT ORGANIZED ALONG LINES OF GROUP B RESOLUTION BUT CONSISTING ESSENTIALLY OF ALTERNATING GROUP B AND G-77 PARAGRAPHS, ALL BRACKETED.

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R 251255Z MAY 76

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UNCTAD 099

6. MANUFACTURES RESOLUTION - MARKET ACCESS: DISCUSSION IN DRAFTING GROUP ON SATURDAY MAY 22 ON MARKET ACCESS SECTION IN DRAFT RESOLUTION ON MANUFACTURES AND SEMI-MANUFACTURES FOR FIRST TIME SAW SOME TRUE BARGAINING, WITH SOME IMPORTANT AGREEMENTS REACHED. (RESULTS OF THAT DAY'S NEGOTIATIONS TRANSMITTED IN NAIROBI 5184). KEY POINTS REMAINING UNRESOLVED REVOLVE AROUND DEGREE OF COMMITMENT THAT DONOR COUNTRIES HAVE TO IMPROVING GSP, AND THE PERMANENT NATURE OF GSP. IN EFFORT TO MEET G-77 DESIRE FOR GREATER SECURITY IN GSP, GROUP B OFFERED TO ADD PHRASE QUOTE BEARING IN MIND THE NEED FOR LONG-TERM EXPORT PLANNING IN DEVELOPING COUNTRIES UNQUOTE TO SECTION ON CONTINUATION OF GSP. THIS WAS REJECTED, SO BOTH PARAGRAPHS (D) AND (E) IN GSP SECTION WENT BACK TO ORIGINAL BRACKETED LANGUAGE.

7. MARKET ACCESS AND GSP: ANOTHER ISSUE WHICH, HOWEVER, WAS ONLY DISCUSSED PRIVATELY BETWEEN US REPS AND LA SPOKES-  
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MAN GARRIDO WERE REFERENCES TO COERCIVE AND RESTRICTIVE ELEMENTS IN GSP. GARRIDO TENTATIVELY ACCEPTED US PROPOSALS TO REFER TO GRANT BENEFICIARY STATUS ON NON-DISCRIMINATORY BASIS SUBJECT TO INTERNAL LEGISLATIVE PROVISIONS OF DONOR COUNTRIES. THIS HOWEVER PROVED UNACCEPTABLE TO BOTH ECUADORIANS, WHO WANT STATEMENT THAT DONOR COUNTRIES WILL REVIEW SUCH LEGAL PROVISIONS, AND OTHER GROUP B COUNTRIES WHO WANT TEXT THAT WILL ALLOW THEM TO EXCLUDE BENEFICIARIES (E.G. TURKEY, GREECE, ROMANIA) BASED ON ADMINISTRATIVE DECISION NOT JUST LEGAL CONSTRAINTS.

8. MARKET ACCESS - OTHER ELEMENTS: ON TARIFF RECLASSIFICATION, COMPROMISE LANGUAGE ON STANDSTILL WILL PROBABLY EMERGE ALONG LINES OF SEVENTH SPECIAL SESSION RESOLUTION, ALTHOUGH AUSTRALIA AND SWEDEN, AND TO SOME EXTENT JAPAN, ARE STRONGLY RESISTING REFERENCE TO CONSULTATIONS, SURVEILLANCE AND ESPECIALLY COMPENSATION.

9. NO AGREEMENT IS EMERGING IN TEXT ON MARKET ACCESS ON NON-TARIFF MEASURES. G-77 IS INSISTING ON THE MENTION OF QUOTE THE PRINCIPLE OF PREFERENTIAL TREATMENT UNQUOTE, AND GROUP B IS INSISTENT ON PLACING WORK ON NTM'S IN CONTEXT OF MTN AND TOKYO DECLARATION. REGARDING INTERNAL ADMINISTRATIVE AND FISCAL BARRIERS, SOME AGREEMENT MAY BE POSSIBLE ON BASIS GATT ARTICLE 37(C).

10. MARKET ACCESS - MFA: CONCERNING REFERENCE TO MFA, GROUP B DID NOT REPEAT NOT ACCEPT US PROPOSED LANGUAGE AS PER PARAGRAPH 2 OF STATE 122246 (EC, JAPAN AND NORDICS WERE STRONGLY OPPOSED). GROUP B SPOKESMAN CONSEQUENTLY PROPOSED LANGUAGE BASED ON ARTICLES 1(7) AND 10(5) OF MFA. G-77 MAY REPEAT MAY BE WILLING TO ACCEPT SUCH LANGUAGE WITH SLIGHT REVISION (I.E. RE-AFFIRMATION OF EXCEPTIONAL NATURE OF MFA, RATHER THAN SIMPLY NOTING THAT DECISION BY MFA PARTICIPANTS).

11. RESTRICTIVE BUSINESS PRACTICES: INFORMAL DRAFTING GROUP ON AFTERNOON MAY 19 FIRST REVIEWED PAPERS ON RESTRICTIVE BUSINESS PRACTICES (I.E. CRP NO. 8 SUBMITTED BY G-77 AND CRP NO. 2 SUBMITTED BY GROUP B). MAIN ISSUE WAS QUESTION OF DEFINITION OF RBP'S, WITH GROUP B INSIST- LIMITED OFFICIAL USE

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ING ON QUOTE RBP'S ADVERSELY AFFECTING INTERNATIONAL TRADE, PARTICULARLY THAT OF DEVELOPING COUNTRIES UNQUOTE. GROUP B POSITION WAS HEAVILY CRITICIZED BY G-77 AS BEING RETROGRESSION FROM PREVIOUS INTERNATIONAL AGREEMENTS (INCLUDING THE EXPERT GROUP REPORT) WHICH USED THE G-77 FORMULATION. GROUP B PROPOSED COMPROMISE OF QUOTE ADVERSELY AFFECTING ILERNATIONAL TRADE, PARTICULARLY THAT

OF DEVELOPING COUNTRIES, AND WHERE APPLICABLE THEIR DEVELOPMENT UNQUOTE, BUT THIS WAS REJECTED BY G-77. SECOND MAJOR POINT AT ISSUE WAS CONCEPT OF REGISTRATION OF RBP'S AND PROCEDURES FOR NOTIFICATION AND EXCHANGE OF INFORMATION, AGAIN WITH NO REPEAT NO COMPROMISE BETWEEN TWO SIDES ON THIS POINT.

12. DISCUSSION OF RBPS WAS RESUMED ON MAY 22 AND RAN INTO SAME OBSTACLES AS PREVIOUSLY. THERE WAS, HOWEVER, TENTATIVE AGREEMENT ON BASIS OF GROUP B COMPROMISE REGARDING PROCEDURES FOR NOTIFICATION AND EXCHANGE ON INFORMATION ON RBP'S, BUT NO AGREEMENT AS TO WHERE THIS TEXT WOULD BE PLACED, WITH GROUP B CONTINUING TO ASK THAT IT BE PLACED IN THAT PART OF TEXT REFERRING ONLY TO INTERNATIONAL ACTION.

13. TRANSNATIONALS: DRAFTING GROUP ON MAY 19 DISCUSSED TNC'S WITH NO REPEAT NO SUBSTANTIVE RESULTS. G-77 CONTINUED TO STRESS NEED FOR STRONG NEW UNCTAD PROGRAM ON TNC'S. GROUP B EMPHASIZED THAT PRIMARY WORK ON TNC'S SHOULD BE CONDUCTED BY UN COMMISSION AND CENTER ON TNC'S.

14. INDUSTRIALIZATION. DRAFTING GROUP ON MAY 21 ALSO HAD INITIAL DISCUSSION OF TWO INDUSTRIALIZATION TEXTS -- CRP NO. 8 FROM G-77 AND CRP NO. 10 FROM GROUP B. DISCUSSION WAS PARTICULARLY CONFUSING BECAUSE OF DIFFERENT ORGANIZATION OF TWO TEXTS. ONLY POINT DISCUSSED IN ANY DETAIL WAS PARAGRAPH ON ADJUSTMENT ASSISTANCE, WITH NO REPEAT NO IMPORTANT AGREEMENTS REACHED.

15. NEGOTIATING GROUP MET IN FULL SESSION SATURDAY AFTERNOON TO APPROVE SUGGESTED PROGRESS REPORT BY CHAIRMAN TO GENERAL COMMITTEE. NEGOTIATING GROUP SUPPORTED CHAIRMAN'S SUGGESTION THAT IF DRAFTING GROUP SHOULD CONTINUE LIMITED OFFICIAL USE

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WORKING THROUGH TUESDAY MAY 25 AS THERE WAS "REASONABLE CHANCE" THAT AGREEMENT WILL BE REACHED AND THEREFORE NO ISSUES NEED BE REFERRED UP TO THE GENERAL COMMITTEE FOR ITS RESOLUTION.

DECON 5/25/77.  
LINDSTROM

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Draft Date:** 25 MAY 1976  
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**Disposition Approved on Date:**  
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